Registered number: 06707516

# ONTIC ENGINEERING & MANUFACTURING UK LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2019

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Gareth Hall<br>*Michael Waters (resigned 31 March 2020)*<br>Matthew Pritchard |
| **Registered number** | 06707516 |
| **Registered office** | Cleeve Business Park<br>Bishops Cleeve<br>Cheltenham<br>Gloucestershire<br>GL52 8TW |
| **Independent auditor** | Deloitte LLP<br>Statutory Auditor<br>Four Brindleyplace<br>Birmingham<br>B1 2HZ<br>United Kingdom |
| **Bankers** | HSBC Bank plc<br>14 Bradford Road<br>Cleckheaton<br>West Yorkshire<br>BD19 3JR |

## CONTENTS

# STRATEGIC REPORT
# FOR THE YEAR ENDED 31 DECEMBER 2019

## Introduction

The principal activities of the Company comprise of the manufacture of legacy parts and the provision of repair services for the aviation industry worldwide.

Ontic Engineering & Manufacturing UK Limited owns the IP to produce fuel gauging systems (acquired from GE Aviation Systems Limited in 2011), and a portfolio of legacy avionics products (acquired from GE Aviation Systems Limited in 2016). It also manufactures under licence the following product groups: gas turbine units under a licence from Safran, F16 actuators, rail and oxygen products under licences from UTC, various military cockpit controls, switches and indicators from Ultra Electronics Limited, military and civil avionics products (including cockpit communication control systems) from Racal Acoustics Limited, a velocity radar system from Thales UK Limited, and a suite of military avionics products from Meggitt (UK) Limited.

The directors consider the results of the business to be in line with expectations.

**Business review**

During the year ended 31 December 2019 the Company has generated $90,396,817 revenue (2018 - $83,973,801). The Company generated operating profit of $4,821,672 (2018 - $17,956,920).

As at 31 December 2019 the Company held net assets of $67,470,285 (2018 - $68,803,095), including cash balances of $8,575,108 (2018 - $2,557,194).

There have not been any significant changes in the principal activities in the year under review.

The Company has seen an increasing proportion of their transactions being USD denominated and this increasing trend is forecasted to continue. The majority of revenue transactions are transacted in USD and for 2019 and 2020 net receipts of USD (GBP equivalent) were greater than the net costs of GBP. Additionally, external debt financing has been issued in USD. The trend of increasing USD transactions discussed above align with the indicators documented in FRS 102 30.4 to highlight a change in the Company's functional currency. The board deemed it appropriate to change the functional currency of the Company from GBP to USD with effect from 1 January 2019.

The shareholders of the Company changed on 31 October 2019, with the sale of the Company to Bleriot Bidco Limited.

The impact and effects of the COVID-19 pandemic outbreak on the Company are detailed within the Going Concern section of the Directors' Report.

The 2019 performance continued to include a significant contribution from the portfolio of legacy avionics products acquired from GE Aviation Systems Limited in December 2016. This business was substantially transitioned into the Company's existing facility over the course of 2017.

Operating profit reduced in comparison to the prior year due to an increase in the inventory provision, and additional costs resulting from the sale of the company during the year.

On 5 July 2019 the Company acquired a licence for manufacture of the the Doppler Velocity Radar System (70, 80 and 90 series) from Thales UK Limited (see Note 23).

On 20 December 2019 the Company acquired a licence for a suite of military avionics products from Meggitt (UK) Limited (see Note 23).

These acquisitions support the Company's strategy to deliver continued profitable growth in mature avionics and electronics products with high intellectual property content. The Company continues to assess a strong pipeline of opportunities in relation to new products and licence adoptions.

### Principal risks and uncertainties

The key risk facing the Company is further deterioration in the global economy resulting in airlines or airframe manufacturers either reducing their flight schedules and production or ceasing to trade.

The impact and effects of the COVID-19 pandemic outbreak on the Company are detailed within the Going Concern section of the Directors' Report.

The "Brexit" decision of the United Kingdom to leave the European Union continues to cause uncertainty with the economic environment as a whole, however the relative impact on the Company is tempered by the fact that the majority of the Company's exports, and its supply chain, are outside the remainder of the European Union.

The Company is exposed to transactional and translation foreign currency risk. Through its trading activity, the company transacts in USD, EUR and GBP. The majority of the company's customers are invoiced in USD therefore cashflows and profits are generated primarily in USD. Supplier transactions tend to transact in GBP and there are also a small proportion of cashflows generated in EUR. The change of the Company's functional and presentational currency from GBP to USD as of 1 January 2019 reduces the above risk given the large proportions of USD transactions.

The Company has credit risk, which is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. There are no more derivative financial instruments in place.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

### Future developments

The directors expect that the present level of growth will continue in the foreseeable future through the acquisition of new licences.

**The Board's Statement on Section 172 (1)**

The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

**a. The likely consequences of any decision in the long term**
The members of the supervisory board have a long term mindset. This year's budget and 5 year Strategic Plan was approved by the board following a comprehensive review of our strategic priorities and risks to our business. We considered the business environment and expected trends, the capital expenditures required and the impact on employment. We gained input from our customers and employees, as well as community feedback about our impact on the environment. We took this feedback to our own suppliers to ensure that the demands of our customers are reflected in our engagement and contracts with our own supplier base.

The input from our employee representatives was invaluable as we formulated our plans and the board took the opportunity to review and reconfirm the group's values, including our commitments to maintain and enhance our focus on safety and wellbeing, invest in training and skills development to support our change programme, and to recognise the value of diversity and inclusion in how we operate.

Our customers expect us to deliver our products more quickly and to consistently meet the commitments we make. Our plans include a number of innovations and enhanced ways of working which will involve considerable change within our organisation. This will provide colleagues with opportunities as well as transformation challenges. Our plans are demanding but will position the company well against our longer term value creation vision whilst honouring our commitments to our stakeholders.

The Company continues to assess a strong pipeline of opportunities in relation to new products and licence adoptions. During 2019, the company acquired a license for manufacture of the Doppler Velocity Radar System (70, 80 and 90 series) from Thales UK Limited and a license for a suite of military avionics products from Meggitt (UK) Limited. These acquisitions support the Company's strategy to deliver continued profitable growth in mature avionics and electronics products with high intellectual property content.

Investment decisions are taken with due care, considering the growth opportunities, the associated risk and the environmental impact.

**b. The interests of the Company's employees**
Ontic Engineering & Manufacturing UK Limited is committed to being a truly inclusive place to work, where employees have the opportunity and company support to reach their potential. We are committed to developing our global talent and high performers (including our female talent) to enable them to reach senior leadership roles in the Company; this includes providing them with tools, guidance and access to coaching support for their personal development. We are also focused on continuing to 'grow our own' by expanding our apprenticeship and graduate offering, and working with local schools and colleges to encourage emerging talent into STEM careers, in addition to creating internal and stretch opportunities for existing employees.

We recognise the importance of Inclusion and Diversity through the employee lifecycle and our intent is to be representative of the community to which we belong. Recruitment and reward principles are reflective of this position whereby roles are assessed equitably with remuneration packages developed against internal and external benchmark data sets. Equipping and empowering our leaders is a key success factor in achieving this with specific programmes developed such as unconscious bias to support managers to embed these behaviours into our culture where individuals can thrive and contribute, as well as being rewarded for their performance.

**c. The need to foster the Company's business relationships with suppliers, customers and others**
The business relationships with suppliers and customers are paramount to the Company's performance. The Group has longstanding relationships with its established customers and suppliers. The Group also works hard to build working relationships with novated customers and suppliers in order to de-risk the adoption process.

The Company has no formal policy with regard to payment of dividends, such payments are made at the discretion of the Directors.

Our Group comprises a number of business units, all of which have extensive engagement with their own unique stakeholders. The Company uses an 'authority matrix' to delegate authority to various different levels within the organisation based on the cost and impact, empowering the business units to take account of the needs of their own stakeholders in their decision-making. These business units report regularly to the Senior Management Team about the strategy, performance and key decisions taken, which provides leadership with the assurance that proper consideration is given to stakeholder interests in decision making.

The Company's ongoing success is dependent upon conducting our business with the highest ethical standards and in compliance will all relevant laws and our corporate policies and procedures. Ethical and compliant behaviour protects our employees, our customers and our business from financial and legal harm as such we expect our employees, officers and directors to conduct themselves in accordance with our Code of Business Ethics and seek to avoid even the appearance of improper behaviour. Employees are encouraged to speak confidently about concerns regarding potentially unethical conduct or illegal activity by reporting it through our confidential ethics hotline.

We expect each of our suppliers, contractors and consultants (collectively, "Suppliers") to conduct business fairly, impartially and in an ethical and proper manner. In addition, we expect each of our Suppliers to adhere to the principles of our Ethical Conduct Policies concerning compliance with all applicable laws, conducting business fairly and ethically, respecting human rights, conserving the environment, and providing high quality, safe products and services. Suppliers are expected to cascade these principles to their own suppliers. This may involve the establishment of supply chain management processes that integrate the requirements of this Code of Ethical Conduct.

**Customers**
The Company recognise the value in developing longstanding customer relationships and strives to offer effective solutions to OEMs, do what we say we will consistently, deliver products to our customers more quickly and regularly seek customer feedback to assess our own performance.

The Company aims to deliver excellent customer service and supports its customers by using industry recognised standard AS9100 and regulatory authority approvals such as EASA Part 21G and EASA Part 145.

**Employees**
Our people are our greatest asset, and it is our priority to maintain and enhance our focus on safety and wellbeing and to be recognised by our employees as a 'great place to work'. There are many ways that we engage with our employees; we hold monthly All Hands briefings, face to face briefings, internal email communications and we seek their feedback through employee surveys and monthly Q&A sessions.

**d. The impact of the Company's operations on the community and the environment**
The Group also considers its long term impact on the environment in which it operates. Our facility is designed to be energy efficient and incorporates insulation to the highest standards, PIR sensors and energy efficient LED lighting. We are a zero waste to landfill site (with the exception of non-recyclable office waste) and encourage employees to use sustainable transport by providing cycle to work schemes, bicycle sheds and electric car charging points.

The Company is a proud supporter and sponsor of local school, non-profit organisations and events. In 2019, our employees took part in 'Environmental Challenges' including litter picking, contributed towards food bank collections and hosted multiple fundraising activities in order to raise funds for local charities including Cheltenham General Hospital and National Star College. We also supported local events like the Gloucester Dragon Boat Race, Cheltenham Half Marathon and the 3 Peaks Challenge to name a few.

**e. The desirability of the Company maintaining a reputation for high standards of business conduct**
The Company has not adopted an integrated corporate governance code as it already applies best practices as

described in the separate disclosures below: Supervisory board, Audit committee and Nomination & remuneration committee.

***f. The need to act fairly between the shareholders of the Company***
The company has entered into a Value Creation plan which will enhance value for all members. The value creation plan consists of 4 pillars for operational success: Customer, which looks at improving customer experience and driving for best in class customer service. Employee, the aim of which is to make the Company one of the best in which to work. Strengthen which is focused on investing in business systems to drive improvement and be the foundation for operational success, and Growth which is focused on delivering increased market share through organic and new licence growth.

The Company strives to ensure that the management of CVC Capital Partners (the purchasers of the Group which includes the Company) are fully informed of all key matters in terms of business strategy, policy decisions and financial results. Please refer to Supervisory board section below.

**Supervisory board**
*The supervisory board is composed of five members being the Chairman, two representatives of CVC Capital* Partners, the CEO and the CFO. All board members have a proven track record in managing business of this size and are deemed to be capable to assume this responsibility. The members of the board are in frequent contact with local management and local employees to obtain first-hand information.

The supervisory board meet throughout the year, with members of the Senior Management Team from the site interacting directly during board meetings to present and discuss the status of a variety of matters and initiatives.

Key decisions (such as those noted below) require Board consideration and approval. The Supervisory board interacts with key stakeholder and interested party, CVC Capital Partners who purchased the Group, including the company, during the year. The Supervisory board sets out the delegation and approval process across the broader business and also empowers the local management teams to perform to their best capabilities.

*During 2019 the following matters were reviewed:*

Financial performance of the Ontic group;
Environment, Health and Safety (EHS) review;
Corporate Social Responsibility (CSR) review;
Approval of the consolidated annual reports;
Budget;
Capex projects;
Financing contracts;
Approval of compliance related policies;
Audit committee reports;
Business reviews & market updates; and
Mergers & acquisitions projects (including divestments).

The supervisory board has delegated responsibilities to the audit committee and the nomination & remuneration committee as discussed below.

**Audit committee**
The audit committee is composed of a representative of CVC Capital Partners and the CFO, both also members of the Supervisory board. All members have extensive experience in accounting and audit matters as demonstrated by their curriculum.

The committee meets several times per year and discusses matters related to internal audit risk, risk management, internal controls and non-audit services provided by the Company's statutory auditor.

All sites are subject to a review by the Company's internal audit. The internal audit typically reviews compliance with existing charters and policies as set forth by the Company. Next thereto, the internal audit also covers ad hoc review as deemed appropriate by the Company's management team. A more formalised process in terms of frequency of audit will be established in the near future.

**Nomination & remuneration committee**
The nomination & remuneration committee is at Bleriot Topco Limited level (of which the Company is a subsidiary), composed of a representative of CVC Capital Partners, the CEO and the Chairman. The committee meets at least once a year and discusses the remuneration policy for the Company's senior leadership team. Approval for the remuneration of other Company employees is determined by the Company's delegated authority matrix.

This concludes the Board's Statement on Section 172 (1).

**Financial key performance indicators**

Financial Key Performance Indicators (KPIs) are used by the Company on an ongoing basis to assess its performance in relation to a variety of financial measures. These include, but are not limited to:-

**Revenue**
2019: $90,396,817
2018: $83,973,801

The primary driver behind the increase in sales in the year compared to the prior year is continued sales growth from the legacy avionics products acquired from GE Aviation Systems Limited in 2016.

**Operating Profit**
2019: $4,821,672 (5.3%)
2018: $17,956,920 (21.4%)

The most significant reason for the decrease in operating profit compared to the prior year is an increase in costs relating to the sale of the Company, and an increase in the inventory provision as a result of change in estimates in relation to the calculation of the provision.

**Working Capital Ratio**
2019: 2.56 to 1
2018: 3.06 to 1

The movement in working capital compared to the prior year is primarily as a result of a decrease in the bank balance due to the licence acquisitions made in the year. However, in prior year a cash sweep arrangement was in place with the then Group, hence this difference appears as a reduction in amounts owed by Group undertakings. The amount swept at the end of the prior year was $13,568,000. No such cash sweep arrangement is in place for the end of 2019.

**Other key performance indicators**

The directors and management of the Company use a variety of other key performance indicators on an ongoing basis, both financial and operational in nature.

In line with our priority to provide excellent customer service to our stakeholders by "doing what we say we are going to do consistently" we use On Time Delivery % as a Key Performance Indicator to measure how successful we are at meeting our commitments with our customers.

On time delivery measures the Company's supply efficiency to its customers. The measure looks at the proportion of finished goods or services delivered to customers in full and on time compared to total finished goods and/or services delivered. In 2019 we achieved 56% OTD which was well below our expectations and demonstrating a need for more focus in 2020. In 2020 we have been able to demonstrate significant improvement achieving 66% OTD YTD in 2020 (>75% in October & November 2020).

Safety is of paramount importance to the Company and as a result we measure success using Reportable Incident Rate which is the total case incident rate calculated using the OSHA (Occupational Safety & Health Administration) definition. Our target is zero reportable incidents and we have successfully met our target in 2019 and to date in 2020.

This report was approved by the board on 22 December 2020 and signed on its behalf.

**Matthew Pritchard**
Director

# DIRECTORS' REPORT
# FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

**Directors' indemnities**

The Company has entered into deeds of indemnity in favour of each of the directors of the Company and the Group, under which the Company agrees to indemnify each director against liabilities incurred by that director in respect of acts or omissions arising in the course of their office or otherwise by virtue of their office.

**Results and dividends**

The loss for the year, after taxation, amounted to $2,400,095 (2018 - profit $13,492,275).

No dividends were proposed or paid during the current or prior year.

**Directors**

The directors who served during the year, and up to the date of signing the Annual Report and financial statements were:

Gareth Hall
Michael Waters (resigned 31 March 2020)
Matthew Pritchard

**Financial risk management objectives and policies**

The Company is exposed to transactional and translation foreign currency risk, as well as credit risk. Please refer to the Principal Risks and Uncertainties section of the Strategic Report for more information.

## Going concern

The Company is profitable with net assets and net current assets and is expected to continue to generate positive cash flows on its own account for the foreseeable future. It has a strong portfolio of geographically diverse customers and expects to grow rapidly in the coming years as new licences are acquired. The Company participates in the Group's centralised treasury arrangements and so may access the banking arrangements of its parent and fellow subsidiaries should further liquidity become necessary to finance its on-going operations and future development.

Since the first quarter of 2020, the Company has been faced with the COVID-19 pandemic outbreak. Due to the nature of the business, in support of military operations in both the US and UK, the business was deemed a critical operation. The facilities have remained operational throughout this period. The Company has ensured that employee safety is a key priority with social distancing observed through effective telecommuting for indirect staff and the introduction of a shift pattern for direct technician and manufacturing staff. Daily monitoring of staff globally show that those in self isolation or sheltering as a vulnerable group have remained at less than 5%, enabling the Company to effectively continue to serve its customers.

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company has adequate resources to continue in existence undertaking the principal business activity outlined above for the foreseeable future.

The Company has considerable financial resources and strong relationships with key licensor partners, customers and suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

The Company has budgeted through to the end of 2021; the Company is profitable and generating positive operating cashflow, and is budgeting to continue to do so. Past and forecast future performance shows that the Company has adequate resources to continue in operational existence for the foreseeable future.

In addition, were it to be needed, the Company could call on the support of the Group (as headed by Bleriot Finco Holdings Limited). The Group has access to a revolving facility of $85m. Even with the significant downside scenario of a full closure of the Ontic US Chatsworth facility for one month the Group cash position would remain well above $50m throughout 2021. Access to a revolving facility will not change in the above mentioned periods, the facility expires on 31 September 2024. The Group has no near-term covenants; only a springing revolving credit facility (RCF) covenant. Should the RCF be drawn down to more than 40% of the total facility value, the proforma adjusted EBITDA of the Group will need to remain above $59m to meet the covenant requirements. The Group's pro-forma adjusted EBITDA under the "significant downside scenario" demonstrates significant headroom to this minimum.

As a result, the Company continues to adopt the going concern basis of accounting for the preparation of the annual financial statements.

### Employee involvement

We encourage all employees to have their say in both formal and informal ways and run specific engagement programmes across the Company to bring our teams closer together and ensure they feel part of the whole.

Monthly meetings are held in which employees are updated on Company initiatives, business performance and community activities.

The Company also carries out employee engagement surveys on a periodic basis, and has an employee forum (composed of a cross section of employees from across various departments) which meets on a regular basis and feeds back to all employees via internal communications.

Employees participate directly in the success of the business through the Company's goal share scheme and are encouraged to invest in the Group through participation in share option schemes.

### Disabled employees

The Company is an equal opportunity employer and is committed to developing and maintaining a culture of equality and diversity in which employees are treated equally, whether or not they have a disability.

The Company takes all reasonable steps to employ, train and promote employees on the basis of abilities, qualifications and experience irrespective of any disability. The Company has a duty to make reasonable adjustments to its premises and working practices in order to accommodate disabled employees, including those who become disabled whilst in the Company's employment.

The Company will not condone any discrimination or harassment on the grounds of disability, either from employees or any outside third parties who carry out business with the Company.

### Climate change

The Directors are aware of their responsibilities to consider the potential effect of the Company's operations on climate change, and are assessing this impact. They will report on this in the Directors' Report of next year's Annual Report & Financial Statements, in line with the reporting requirements that will then be in place.

### Future developments

Please refer to the Strategic Report.

### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Post balance sheet events**

Since the balance sheet date there has been the outbreak of the COVID-19 pandemic. The impact of this is discussed in the going concern disclosure in this report. The impact of COVID-19 is a non-adjusting post balance sheet event which may impact (in the future) the judgements and estimates made as at the balance sheet date of 31 December 2019, primarily in respect of Goodwill and Intangibles. The Company performance, orderbook and cash position remains strong.

The Company has not received any Government grants.

**Auditor**

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 22 December 2020 and signed on its behalf.

**Matthew Pritchard**
Director

## DIRECTORS' RESPONSIBILITIES STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONTIC ENGINEERING & MANUFACTURING UK LIMITED

### Report on the audit of the financial statements

**Opinion**
In our opinion the financial statements of Ontic Engineering & Manufacturing UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONTIC ENGINEERING & MANUFACTURING UK LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

***Responsibilities of directors***

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONTIC ENGINEERING & MANUFACTURING UK LIMITED**

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Use of our report**
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Halls, FCA (Senior Statutory Auditor)
*for and on behalf of*
**Deloitte LLP**
Statutory Auditor

Birmingham
United Kingdom

22 December 2020

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|---|
| Turnover | 4 | **90,396,817** | **83,973,801** |
| Cost of sales | | **(49,858,347)** | **(28,440,979)** |
| **Gross profit** | | **40,538,470** | **55,532,822** |
| Administrative expenses | | **(35,716,798)** | **(37,575,902)** |
| **Operating profit** | 5 | **4,821,672** | **17,956,920** |
| Interest receivable and similar income | 9 | **440** | **6,877** |
| Interest payable and expenses | 10 | **(7,793,176)** | **(5,554,371)** |
| **(Loss)/profit before tax** | | **(2,971,064)** | **12,409,426** |
| Tax on (loss)/profit | 11 | **570,969** | **1,082,849** |
| **(Loss)/profit for the financial year** | | **(2,400,095)** | **13,492,275** |
| **Other comprehensive (expense) / income for the year** | | | |
| Currency translation differences | | **-** | **(431,483)** |
| Movement in Cash Flow Hedges | | **1,283,549** | **(3,128,934)** |
| Deferred Tax on Cash Flow Hedges | | **(216,264)** | **537,143** |
| **Other comprehensive expense for the year** | | **1,067,285** | **(3,023,274)** |
| **Total comprehensive (expense) / income for the year** | | **(1,332,810)** | **10,469,001** |

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

All results derive from continuing operations.

All prior year "as restated" references are as a result of the change in functional and presentational currency from GBP to USD.

The accompanying notes are an integral part of this Statement of Comprehensive Income.

# BALANCE SHEET
## AS AT 31 DECEMBER 2019

| | Note | | 2019 $ | | *As restated 2018 $* |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 12 | | 122,895,548 | | 122,871,999 |
| Tangible assets | 13 | | 9,738,438 | | 9,924,936 |
| | | | 132,633,986 | | 132,796,935 |
| **Current assets** | | | | | |
| Stocks | 14 | 36,707,433 | | 35,957,120 | |
| Debtors | 15 | 21,063,291 | | 35,393,843 | |
| Cash at bank and in hand | 16 | 8,575,108 | | 2,557,194 | |
| | | 66,345,832 | | 73,908,157 | |
| Creditors: amounts falling due within one year | 17 | (25,932,741) | | (24,190,354) | |
| **Net current assets** | | | 40,413,091 | | 49,717,803 |
| **Total assets less current liabilities** | | | 173,047,077 | | 182,514,738 |
| Creditors: amounts falling due after more than one year | 18 | | (92,545,261) | | (100,027,220) |
| **Provisions for liabilities** | | | | | |
| Deferred tax | 20 | (13,031,531) | | (13,684,423) | |
| | | | (13,031,531) | | (13,684,423) |
| **Net assets** | | | 67,470,285 | | 68,803,095 |
| **Capital and reserves** | | | | | |
| Called up share capital | 21 | | 1 | | 1 |
| Foreign exchange reserve | 22 | | (431,483) | | (431,483) |
| Hedging reserve | 22 | | - | | (1,067,285) |
| Profit and loss account | 22 | | 67,901,767 | | 70,301,862 |
| | | | 67,470,285 | | 68,803,095 |

## BALANCE SHEET (CONTINUED)
## AS AT 31 DECEMBER 2019

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

**Matthew Pritchard**
Director

Date: 22 December 2020

ONTIC ENGINEERING & MANUFACTURING UK LIMITED
REGISTERED NUMBER: 06707516

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Called up share capital | Foreign exchange reserve | Hedging reserve | Profit and loss account | Total equity |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **At 1 January 2018 - as restated** | 1 | - | 1,524,506 | 56,809,587 | 58,334,094 |
| **Comprehensive income for the year** | | | | | |
| Profit for the year | - | - | - | 13,492,275 | 13,492,275 |
| Currency translation differences | - | (431,483) | - | - | (431,483) |
| Movement in Cash Flow Hedges | - | - | (3,128,934) | - | (3,128,934) |
| Deferred Tax - Cash Flow Hedges | - | - | 537,143 | - | 537,143 |
| **At 31 December 2018 - as restated** | 1 | (431,483) | (1,067,285) | 70,301,862 | 68,803,095 |
| **Comprehensive income for the year** | | | | | |
| Loss for the year | - | - | - | (2,400,095) | (2,400,095) |
| Movement in Cash Flow Hedges | - | - | 1,283,549 | - | 1,283,549 |
| Deferred Tax - Cash Flow Hedges | - | - | (216,264) | - | (216,264) |
| **At 31 December 2019** | 1 | (431,483) | - | 67,901,767 | 67,470,285 |

The notes on pages 21 to 44 form part of these financial statements.

## 1. General information

Ontic Engineering & Manufacturing UK Limited is a private company limited by shares incorporated in the United Kingdom, registered in England and Wales.

Its registered office is Cleeve Business Park, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8TW.

The Company was acquired by Bleriot Bidco Limited on 31 October 2019. See Note 26 for information on ultimate controlling party.

The directors have taken advantage of the exemption from the requirement to disclose information on the remuneration of key management personnel, related party transactions, preparation of a cash flow statement and financial instruments.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The Company has taken advantage of the exemption under FRS 102 from preparing a cash flow statement as it is a wholly-owned subsidiary of a parent, Bleriot Finco Holdings Limited, which will prepare a group cash flow statement in its publically available financial statements.

The consolidated financial statements of the Group (Bleriot Finco Holdings Limited) will be available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The financial statements have been prepared on the going concern basis. See the "Going concern" note within the Directors' Report for the rationale and justification of adopting this basis.

The following principal accounting policies have been applied:

## 2. Accounting policies (continued)

### 2.2 Foreign currency translation

**Functional and presentation currency**

Ontic Engineering and Manufacturing UK Limited generates the majority of its revenues and all financing in USD, and management have concluded that the trading and financing position indicates a move from GBP to USD functional currency, with effect from 1 January 2019. Accordingly, management have also decided to change the presentational currency of Ontic Engineering and Manufacturing UK Limited to USD for the year ended 31 December 2019; as this represents a change in accounting policy this change has been applied retrospectively in accordance with IAS 8, resulting in a currency translation reserve of $431,483 being recognised.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

## 2. Accounting policies (continued)

### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

If contracts entered into by the Company are subsequently modified from the original terms, these are assessed to ensure that the above criteria remain satisfied and the timing and amount of revenue adjusted according to the conclusion of this assessment.

### 2.4 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard to continue to be charged over the period to the first market rent review rather than the term of the lease.

### 2.5 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

## 2. Accounting policies (continued)

### 2.6 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.7 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

### 2.8 Pensions

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

## 2. Accounting policies (continued)

### 2.9 Intangible assets

**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

**Other intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The business acquires licences from Original Equipment Manufacturers (OEMs) to become the alternate OEM for that product. The useful life is based on the underlying contract, where that is a determinable period. An annual review is performed to assess the licence's remaining useful life against the vitality of the underlying platform.

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is provided on the cost of software and is calculated on a straight line basis over the useful life of the software.

Intangible assets, other than goodwill, arising on acquisitions are capitalised at fair value. An intangible asset will be recognised as long as the asset is separable or arises from contractual or other legal rights, and its fair value can be measured reliably. Amortisation is provided on the fair value of the asset and is calculated on a straight line basis over its useful life, which typically is the term of the licence or contract.

### 2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

## 2. Accounting policies (continued)

### 2.10 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

The estimated useful lives range as follows:

| | | |
|---|---|---|
| Short-term leasehold property | - | 10 years - 40 years |
| Plant and machinery | - | 10 years |
| Motor vehicles | - | 4 years |
| Computer equipment | - | 3 years |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

All capital expenditure is initially recognised as assets under course of construction. Assets under course of construction are measured at historical cost and are not depreciated. When the assets are ready for use, they are transferred at historical cost to their appropriate asset category, from which point depreciation commences and is charged to the Statement of Comprehensive Income over the useful life of the asset.

### 2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Provision is made for slow-moving or obsolete inventory, defined as inventory which has had no past usage over the last 3 years and no future demand.

### 2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## 2. Accounting policies (continued)

### 2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

### 2.16 Taxation

The charge for taxation is based on the profit for the year and comprises current and deferred taxation. Current tax is calculated at tax rates which have been enacted or substantively enacted as at the balance sheet date.

Deferred taxation takes into account taxation deferred due to temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is accounted for using the balance sheet liability method and is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases in the computation of taxable profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at tax rates which have been enacted or substantively enacted at the balance sheet date and that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Profit and Loss, except when it relates to items charged or credited to the Statement of Other Comprehensive Income (in which case the deferred tax is also dealt with in the Statement of Other Comprehensive Income), or when it relates to items charged or credited directly to equity (in which case the related tax is also charged or credited directly to equity).

## 2. Accounting policies (continued)

### 2.17 Cash flow hedges

Until October 2019 the Company engaged in cash flow hedging. The effective portion of changes in the fair value of derivatives that were designated and qualify as cash flow hedges were recognised in other comprehensive income. The gain or loss relating to the ineffective portion was recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity were reclassified to profit or loss in the periods in which the hedged item affected profit or loss or when the hedging relationship ended.

Hedge accounting was discontinued when the Group revoked the hedging relationship, the hedging instrument expired or was sold, terminated, or exercised, or no longer qualified for hedge accounting. Any gain or loss accumulated in equity at that time was reclassified to profit or loss when the hedged item was recognised in profit or loss. When a forecast transaction was no longer expected to occur, any gain or loss that was recognised in other comprehensive income was reclassified immediately to profit or loss.

### 2.18 Financial instruments

Derivatives, including interest rate swaps and forward foreign exchange contracts, which the Company utilised until October 2019, are not basic financial instruments. Derivatives were initially recognised at fair value on the date a derivative contract was entered into and were subsequently re-measured at their fair value. Changes in the fair value of derivatives were recognised in profit or loss in finance costs or income as appropriate. The Company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

## 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There were no critical judgements made by the directors during the year in applying the Company's accounting policies.

Items in the financial statements that are a key source of estimation uncertainty are:-

Impairment testing of intangible assets (licences) and impairment of goodwill analysis is performed at each reporting period. Carrying amount of assets is compared to the recoverable amount of assets being the higher of fair value of the assets less cost to sell and value in use (present value of future cash flows from the use of the asset). Please refer to Note 12.

The assessment of the fair value of acquisitions: although the valuation of acquired current assets and liabilities is not a key source of estimation uncertainty, the valuation of non-current assets and liabilities is often dependent on, and sensitive to, long term forecasts of the related cash flows and the discount rates applied. These are in turn dependent on long term forecasts of the performance of the business. As such the valuation of these assets and liabilities is considered to be a key source of estimation uncertainty. Please refer to Note 23.

Selection of Remaining Useful Life ('RUL') of acquisition of intangibles represents a source of estimation uncertainty. A review has been performed over the RULs allocated to acquisition intangibles, and the RULs of certain intangibles have been revised to a maximum of 15 years for licenced IP and 20 years for owned IP in line with the RULs identified in the PPA review performed at Group level. For licenced IP, the typical industry licence length lasts for 10 years with a 5-year renewal period; for owned IP the RUL is expected to be longer than for licenced IP, with a typical platform life of 20-30 years. Hence the revised RULs are deemed appropriate. This change in estimate has been applied prospectively.

The excess inventory provision, which is calculated on a quarterly basis to reserve for potential losses on obsolete inventory, requires quantities in excess of forecasted 3 years' usage to be provided. This represents a change in estimate from prior years, where excess quantities were based on 10 years' forecast usage, and active parts, being parts routinely used and/or sold, were excluded from the excess calculation. This change in approach is due to an alignment exercise undertaken by Ontic group following acquisition by CVC; previously Ontic reported under BBA Aviation's group finance manual. The directors have sought to standardise the revised approach across the Ontic entities.

We have performed a sensitivity analysis on the key sources of estimation uncertainties, and have concluded that it would not materially affect any of the estimated amounts.

## 4. Turnover

An analysis of turnover by class of business is as follows:

| | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|
| Sale of goods | 74,118,854 | 70,660,550 |
| Rendering of services | 16,277,963 | 13,313,252 |
| | 90,396,817 | 83,973,802 |

Analysis of turnover by country of destination:

| | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|
| United Kingdom | 22,297,075 | 24,903,843 |
| Rest of Europe | 4,836,700 | 5,649,477 |
| Rest of the world | 63,263,042 | 53,420,481 |
| | 90,396,817 | 83,973,801 |

## 5. Operating profit

The operating profit is stated after charging:

| | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|
| Depreciation of tangible fixed assets | 1,094,874 | 1,063,074 |
| Amortisation of intangible assets, including goodwill | 8,479,005 | 8,923,195 |
| Exchange differences | 234,331 | 114,943 |
| Cost of materials recognised as expense | 3,469,622 | 427,773 |
| Staff costs | 19,327,412 | 19,277,695 |
| Operating lease rentals | 408,906 | 290,099 |

## 6. Auditor's remuneration

| | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements | **50,785** | **53,200** |

There were no non-audit services or fees in either the current or prior years.

## 7. Employees

Staff costs, including directors' remuneration, were as follows:

| | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|
| Wages and salaries | **16,642,748** | **16,799,411** |
| Social security costs | **1,926,116** | **1,699,928** |
| Cost of defined contribution scheme | **758,548** | **778,356** |
| | **19,327,412** | **19,277,695** |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2019<br>No. | *2018*<br>*No.* |
|---|---|---|
| Production | **88** | **78** |
| Distribution | **6** | **4** |
| Administration | **190** | **174** |
| | **284** | **256** |

## 8. Directors' remuneration

| | 2019 | *As restated* *2018* |
|---|---|---|
| | $ | *$* |
| Directors' emoluments | 512,713 | 240,422 |
| Company contributions to defined contribution pension schemes | 7,433 | 3,093 |
| | 520,146 | 243,515 |

During the year retirement benefits were accruing to 3 directors (2018 - 3) in respect of defined contribution pension schemes.

## 9. Interest receivable and similar income

| | 2019 | *As restated* *2018* |
|---|---|---|
| | $ | *$* |
| Bank interest receivable | 440 | 6,877 |
| | 440 | 6,877 |

## 10. Interest payable and expenses

| | 2019 | *As restated* *2018* |
|---|---|---|
| | $ | *$* |
| Bank interest payable | 1,373 | - |
| Interest on loans from group undertakings | 5,980,898 | 5,554,371 |
| Net exchange loss on borrowings | 1,810,905 | - |
| | 7,793,176 | 5,554,371 |

## 11. Taxation

| | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|
| **Total current tax** | - | - |
| **Deferred tax** | | |
| Prior year adjustment | 82,295 | (210,443) |
| Origination and reversal of timing differences | (730,119) | (963,233) |
| Effect of rate change | 76,855 | 90,827 |
| **Total deferred tax** | (570,969) | (1,082,849) |
| **Taxation on loss** | (570,969) | (1,082,849) |

***Factors affecting tax credit for the year***

The tax assessed for the year is the same as (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:-

| | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|
| (Loss)/profit before tax | (2,971,064) | 12,409,426 |
| (Loss)/Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%) | (564,502) | 2,357,791 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 132,414 | 120,815 |
| Adjustments to tax charge in respect of prior periods | 82,295 | (210,443) |
| Tax rate changes | 76,855 | 90,827 |
| Group relief | (298,031) | (3,441,839) |
| **Total tax credit for the year** | (570,969) | (1,082,849) |

## 11. *Taxation (continued)*

### Factors that may affect future tax charges

A reduction in the UK Corporation tax rate to 19% (effective as from 1 April 2017) and to 18% (effective as from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective as from 1 April 2020) was substantively enacted on 6 September 2016. Therefore, the deferred tax balance relating to the UK as at 31 December 2019 has been calculated at 17%. Subsequent to the year end, the UK Budget 2020 announced on 11 March 2020 enacted a reversal of the reduction, such that the rate will remain at 19%; as this change was not substantively enacted by the year-end date, it is not appropriate to reflect this in the financials. Deferred tax balances will be remeasured at 19% in 2020 and the impact is expected to be a $1.7m increase in deferred tax liabilities.

## 12. Intangible assets

| | Licences<br>$ | Computer software<br>$ | Goodwill<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2019 | 131,231,601 | 833,129 | 24,987,237 | 157,051,967 |
| Additions | - | 1,383,593 | - | 1,383,593 |
| Business combinations | 7,118,961 | - | - | 7,118,961 |
| At 31 December 2019 | 138,350,562 | 2,216,722 | 24,987,237 | 165,554,521 |
| **Amortisation** | | | | |
| At 1 January 2019 | 24,821,959 | 623,688 | 8,734,321 | 34,179,968 |
| Charge for the year | 7,155,368 | 72,704 | 1,250,933 | 8,479,005 |
| At 31 December 2019 | 31,977,327 | 696,392 | 9,985,254 | 42,658,973 |
| **Net book value** | | | | |
| At 31 December 2019 | 106,373,235 | 1,520,330 | 15,001,983 | 122,895,548 |
| At 31 December 2018 | 106,409,642 | 209,441 | 16,252,916 | 122,871,999 |

Values at 31 December 2018 and 1 January 2019 have been restated.

Licences and goodwill are amortised over a period of up to 15 years (licensed) and 20 years (owned). Computer software is amortised over 5 years.

The average remaining life of the 20 licences currently held by the Company is 12.2 years.

## 13. Tangible assets

| | Short-term leasehold property $ | Plant and machinery $ | Motor vehicles $ | Computer equipment $ | Assets under course of const-ruction $ | Total $ |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| At 1 January 2019 | 9,778,399 | 3,512,485 | 65,976 | 643,362 | 99,075 | 14,099,297 |
| Additions | 139,915 | 597,446 | 27,727 | 22,475 | 120,813 | 908,376 |
| Transfers between classes | 33,117 | 65,958 | - | - | (99,075) | - |
| At 31 December 2019 | 9,951,431 | 4,175,889 | 93,703 | 665,837 | 120,813 | 15,007,673 |
| **Depreciation** | | | | | | |
| At 1 January 2019 | 2,313,756 | 1,261,734 | 52,370 | 546,501 | - | 4,174,361 |
| Charge for the year on owned assets | 637,569 | 391,058 | 9,521 | 56,726 | - | 1,094,874 |
| At 31 December 2019 | 2,951,325 | 1,652,792 | 61,891 | 603,227 | - | 5,269,235 |
| **Net book value** | | | | | | |
| At 31 December 2019 | 7,000,106 | 2,523,097 | 31,812 | 62,610 | 120,813 | 9,738,438 |
| At 31 December 2018 | 7,464,643 | 2,250,751 | 13,606 | 96,861 | 99,075 | 9,924,936 |

Values at 31 December 2018 and 1 January 2019 have been restated.

## 14. Stocks

| | 2019 $ | *As restated 2018 $* |
|---|---|---|
| Work in progress (goods to be sold) | 7,767,131 | 5,477,511 |
| Finished goods and goods for resale | 28,940,302 | 30,479,609 |
| | 36,707,433 | 35,957,120 |

## 15. Debtors

| | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|
| **Due after more than one year** | | |
| Deferred tax asset | **22,820** | **321,007** |
| Foreign exchange forward contracts | **-** | **351,290** |
| | **22,820** | **672,297** |
| **Due within one year** | | |
| Trade debtors | **13,093,566** | **14,357,904** |
| Amounts owed by group undertakings | **1,927,381** | **13,805,420** |
| Other debtors | **3,501,178** | **3,713,178** |
| Prepayments and accrued income | **2,518,346** | **1,812,474** |
| Foreign exchange forward contracts | **-** | **1,032,570** |
| | **21,063,291** | **35,393,843** |

The amounts owed by group undertakings consist of normal intercompany trading balances, and (prior year only) a Group sweep of the Company bank account at year end (with no interest and at call).

## 16. Cash at bank and in hand

| | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|
| Cash at bank and in hand | **8,575,108** | **2,557,194** |
| Less: bank overdrafts | **-** | **(148,698)** |
| | **8,575,108** | **2,408,496** |

## 17. Creditors: Amounts falling due within one year

| | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|
| Bank overdrafts | - | 148,698 |
| Payments received on account | 3,535,074 | 3,334,222 |
| Trade creditors | 6,884,819 | 6,982,599 |
| Amounts owed to group undertakings | 2,674,446 | 3,933,737 |
| Other taxation and social security | 88,935 | 147,281 |
| Other creditors | 3,913,778 | 3,503,076 |
| Accruals and deferred income | 8,835,689 | 4,609,132 |
| Foreign exchange forward contracts | - | 1,531,609 |
| | 25,932,741 | 24,190,354 |

There has been no security given in respect of any amounts contained within these balances.

The amounts owed to group undertakings consist of outstanding interest on the $91,324,444 loan agreement with Bleriot Bidco Limited (see note 18), normal trading balances and intercompany management fees and recharges (with no interest and at call).

The accruals and deferred income balance consists of an accruals balance of $5,300,615 (2018 - $1,274,910), and deferred income of $3,535,074 (2018 - $3,334,222).

## 18. Creditors: Amounts falling due after more than one year

| | 2019 | *As restated* *2018* |
|---|---|---|
| | **$** | *$* |
| Amounts owed to group undertakings | **91,324,444** | **97,458,103** |
| Other creditors | **1,220,817** | **1,658,542** |
| Foreign exchange forward contracts (after 1 yr) | **-** | **910,575** |
| | **92,545,261** | **100,027,220** |

There has been no security given in respect of any amounts contained within these balances.

The amounts owed to group undertakings consist of a $91,324,444 loan agreement with Bleriot Bidco Limited, dated 31 October 2019. The loan is repayable in full on 31 October 2029. Interest is charged on the loan at a rate of 10%. Interest is due annually, after which any unpaid interest is added to the loan balance and hence becomes subject to further interest.

The prior year amounts owed to group undertakings included two loans, a £36,000,000 loan agreement with BBA Aviation Scottish Limited Partnership, dated 28 March 2014, and a £47,139,143 loan agreement with BBA Aviation plc, dated 3 January 2017. These loan agreements were concluded upon the sale of the Company in 2019.

## 19. Financial instruments

| | 2019 $ | As restated 2018 $ |
|---|---|---|
| **Financial assets** | | |
| Financial assets measured at fair value through other comprehensive income or profit or loss | - | 1,383,860 |
| Financial assets that are debt instruments measured at amortised cost | 28,815,217 | 35,245,025 |
| Financial assets that are equity instruments measured at cost less impairment | - | - |
| | 28,815,217 | 36,628,885 |
| **Financial liabilities** | | |
| Derivative financial instruments measured at fair value through other comprehensive income | - | (2,442,184) |
| Other financial liabilities measured at fair value through profit or loss | - | - |
| Financial liabilities measured at amortised cost | (114,942,927) | (118,441,168) |
| | (114,942,927) | (120,883,352) |

Financial assets measured at fair value through other comprehensive income or profit or loss comprise the forward exchange rate contracts used to hedge foreign currency exchange risk measured through other comprehensive income.

Derivative financial instruments measured at fair value through other comprehensive income comprised of the forward exchange rate contracts used to hedge foreign currency risk. These contract arrangements concluded in October 2019.

## 20. Deferred taxation

| | 2019<br>$ | *2018*<br>*$* |
|---|---|---|
| At beginning of year | (13,363,416) | (13,399,768) |
| Charged to profit or loss | 570,969 | 1,082,849 |
| (Credited)/Charged to other comprehensive income | (216,264) | 558,125 |
| Arising on business combinations | - | (1,604,622) |
| **At end of year** | **(13,008,711)** | **(13,363,416)** |

2018 values in above table are as restated.

The provision for deferred taxation is made up as follows:

| | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|
| Accelerated capital allowances | (231,612) | (139,075) |
| Other | 22,820 | 99,519 |
| Arising on business combinations | (12,799,919) | (13,545,349) |
| Cash flow hedges | - | 221,489 |
| | (13,008,711) | (13,363,416) |
| **Comprising:** | | |
| Asset - due after one year | 22,820 | 321,007 |
| Liability | (13,031,531) | (13,684,423) |
| | (13,008,711) | (13,363,416) |

Under Financial Reporting Standard 102, deferred taxation is provided in full on certain timing differences. The Company does not discount provisions for deferred taxation.

## 21. Share capital

| | 2019<br>$ | *2018*<br>*$* |
|---|---|---|
| **Authorised, allotted, called up and fully paid** | | |
| 1 (2018 - 1) Ordinary share of £1.00 | 1 | 1 |

## 22. Reserves

Hedging reserve

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments or foreign exchange risk in firm commitments or highly probable forecast transactions. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

**Foreign exchange reserve**

This represents the adjustment resulting from the Company's decision to change its reporting and presentational currency from Pounds Sterling to United States dollars.

**Profit and loss account**

This represents the cumulative profit and loss account at the balance sheet date.

## 23. Business combinations

On 5 July 2019 the Company acquired a licence for manufacture of the the Doppler Velocity Radar System (70, 80 and 90 series) from Thales UK Limited.

On 20 December 2019 the Company acquired a licence for a suite of military avionics products from Meggitt (UK) Limited.

Neither licence generated any revenue or profit in the current year.

The following tables set out the book values of the identifiable assets and liabilities acquired and their fair value:-

Acquisition of Doppler licence

**Recognised amounts of identifiable assets acquired and liabilities assumed**

| | Book value $ | Fair value adjustment $ | Fair value $ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible | - | 2,001,311 | 2,001,311 |
| | - | 2,001,311 | 2,001,311 |
| **Current assets** | | | |
| Stocks | 750,708 | (516,346) | 234,362 |
| **Total assets** | 750,708 | 1,484,965 | 2,235,673 |
| **Provisions** | | | |
| Due within one year - liquidated damages & warranty | - | (533,188) | (533,188) |
| **Total identifiable net assets** | 750,708 | 951,777 | 1,702,485 |
| **Total purchase consideration** | | | (1,702,485) |

**Consideration**

| | $ |
|---|---|
| Cash | (1,702,485) |
| **Total purchase consideration** | (1,702,485) |

**Cash outflow on acquisition**

$

## 23. Business combinations (continued)

| | |
|---|---|
| Purchase consideration settled in cash, as above | (1,702,485) |
| | (1,702,485) |
| **Net cash outflow on acquisition** | **(1,702,485)** |

Acquisition of Meggitt licence

| | Book value $ | Fair value adjustment $ | Fair value $ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible | - | 5,117,650 | 5,117,650 |
| | - | 5,117,650 | 5,117,650 |
| **Current assets** | | | |
| Stocks | 491,542 | (491,542) | - |
| **Total assets** | 491,542 | 4,626,108 | 5,117,650 |
| **Provisions** | | | |
| Due within one year - liquidated damages & warranty | - | (117,650) | (117,650) |
| **Total identifiable net assets** | 491,542 | 4,508,458 | 5,000,000 |

## 24. Pension commitments

The Company operates a stakeholder pension contribution scheme for which the pension cost charge for the year amounted to $758,548 (2018 - $778,356). There is a $134,234 outstanding contribution as at the balance sheet date (2018 - $130,898).

## 25. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2019<br>$ | *As restated*<br>*2018*<br>*$* |
|---|---|---|
| Not later than 1 year | **463,900** | **427,164** |
| Later than 1 year and not later than 5 years | **1,735,150** | **1,640,966** |
| Later than 5 years | **4,554,654** | **4,827,014** |
| | **6,753,704** | **6,895,144** |

## 26. Controlling Party

The Company is a subsidiary of Bleriot Topco Limited, incorporated in Jersey. The ultimate parent company is Bleriot Holdings Jersey Limited, incorporated in Jersey. The directors believe that there is no controlling party given the diverse shareholdings of Bleriot Holdings Jersey Limited. The largest (and smallest) group in which the results of the Company are consolidated is that headed by Bleriot Finco Holdings Limited, incorporated in England and Wales, and registered at 27-28 Clement's Lane, London, United Kingdom, EC4N 7AE. The consolidated financial statements of the Group will be available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

## 27. Post balance sheet events

Since the balance sheet date there has been the outbreak of the COVID-19 pandemic. The impact of this is discussed in the going concern disclosure in the strategic report. The impact of COVID-19 is a non-adjusting post balance sheet event which may impact (in the future) the judgements and estimates made as at the balance sheet date of 31 December 2019, primarily in respect of Goodwill and Intangibles. The Company performance, orderbook and cash position remains strong.

The Company has not received any Government grants.